

Michigan Community College Risk Management Authority

**Financial Report
with Supplemental Information
June 30, 2008**

Michigan Community College Risk Management Authority

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Statement of Net Assets	7
Statement of Revenue, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10-17
Other Supplemental Information	18
Schedule of Changes in Members' Funds on Deposit - By Member	19

Independent Auditor's Report

To the Board of Directors
Michigan Community College
Risk Management Authority

We have audited the accompanying financial statements of the Member General Fund, the Stop-loss Fund, and the total business-type activities of Michigan Community College Risk Management Authority (the "Authority") as of June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2007 financial statements and, in our report dated October 15, 2007, we expressed unqualified opinions on the respective financial statements of the Member General Fund, the Stop-loss Fund, and the total business-type activities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Member General Fund, the Stop-loss Fund, and the total business-type activities of Michigan Community College Risk Management Authority at June 30, 2008 and the results of their operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Michigan Community College Risk Management Authority's basic financial statements. The accompanying other supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Directors
Michigan Community College
Risk Management Authority

The financial statements include summarized prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2007, from which such summarized information was derived.

Plante & Moran, PLLC

September 5, 2008

Michigan Community College Risk Management Authority

Management's Discussion and Analysis

As management of Michigan Community College Risk Management Authority (the "Authority"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the audited financial statements, which immediately follow this section.

Using this Annual Report

The Authority administers a risk management fund that provides members with loss protection for general and auto liability, motor vehicle physical damage, and property. The Authority functions primarily as a claims servicer for members and as a purchasing agent for the acquisition of reinsurance. This annual report consists of a series of financial statements. The statement of net assets and the statement of revenue, expenses, and changes in net assets provide information about the financial activities of the Authority. This is followed by the statement of cash flows, which presents detailed information about the changes in the Authority's cash position during the year.

Financial Overview

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and supplemental information.

The Authority's activity is maintained in two funds, the Member General Fund and the Stop-loss Fund. The basic financial statements, which follow this section, provide both long-term and short-term information about the Authority's financial status. These basic financial statements report information about the Authority using the accrual method of accounting, in accordance with accounting principles generally accepted in the United States of America. The three basic financial statements presented are as follows:

- **Statement of Net Assets** - This statement presents information reflecting the Authority's assets, liabilities, and fund net assets.
- **Statement of Revenue, Expenses, and Changes in Net Assets** - This statement reflects the operating and nonoperating revenue and expenses for the previous two fiscal years. Operating revenue consists of member contributions, with the major sources of operating expenses being claims and claims adjustment expenses, general and administrative expenses, and reinsurance costs. Nonoperating revenue consists primarily of investment income.
- **Statement of Cash Flows** - The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

Michigan Community College Risk Management Authority

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The financial statements report the Authority's net assets and how they have changed. Net assets (the difference between the Authority's assets and liabilities) is one way to measure the Authority's financial health, or position. Over time, increases or decreases in the Authority's fund net assets are an indicator of whether its financial health is improving or deteriorating, respectively. Summarized financial information is as follows:

Net Assets	June 30		Changes in Fund Net Assets	Year Ended June 30	
	2008	2007		2008	2007
	(in thousands)			(in thousands)	
Total assets	\$ 13,219	\$ 12,674	Total revenue	\$ 4,460	\$ 4,494
Total liabilities	10,693	10,156	Total expenses	4,452	4,132
Net assets	\$ 2,526	\$ 2,518	Increase in net assets	\$ 8	\$ 362

In addition to fund net assets, when assessing the overall health of the Authority, the reader needs to consider other nonfinancial factors such as the legal climate in the State, the general state of the financial markets, and the level of risk prevention undertaken by the Authority and its members.

The Authority cannot control the first two factors. However, since its inception, the Authority has been a leader in implementing aggressive risk prevention programs. Outside consultants work with members in developing and implementing training in many areas specific to community colleges.

Condensed Comparative Financial Highlights

- Overall, members' funds on deposit increased by \$497,000 (5.6 percent) from \$8,880,000 to \$9,377,000.
- The Stop-loss Fund net assets increased by approximately \$8,000 (0.3 percent) from \$2,518,000 to \$2,526,000.
- Total stop-loss and claims servicing revenues increased by \$122,000 (2.8 percent) from \$4,355,000 to \$4,477,000.
- Stop-loss claim payments, net of reinsurance and Stop-loss Fund recoveries, increased by \$215,000 from \$253,000 to \$468,000.
- Outside reinsurance increased by \$114,000 from \$3,375,000 to \$3,489,000.

Michigan Community College Risk Management Authority

Management's Discussion and Analysis (Continued)

- An investment loss of \$176,000 was taken this year as compared to income of \$1,069,000 in the prior year, which was a decrease of \$1,245,000. Of the \$176,000 loss taken this year, \$159,000 and \$17,000 was credited to members' funds on deposit and the Stop-loss Fund, respectively.

Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments comprise the most significant numbers in the asset section of the Authority's statement of net assets.

Accordingly, the Authority uses investment and other consultants to manage its stock and bond portfolios. The consultants must adhere to investment guidelines established by the Authority's board of directors. Investment results are reviewed by the board of directors on a quarterly basis.

Reserves

The Authority, as an entity, carries no risk and therefore has no reserves. The Authority receives an annual letter from an actuary confirming that no reserves are required.

Budgetary Highlights

The budget for the year ended June 30, 2008 was approved by the board of directors, based on stop-loss and members' funds on deposit activity, at their July 2007 meeting. There were no subsequent changes to that budget.

	Budgeted	Actual	Variance
Revenue	\$ 5,444,793	\$ 5,444,793	\$ -
Expenses:			
Liability reinsurance	1,493,615	1,493,615	-
Property reinsurance	1,925,000	1,925,000	-
Auto physical damage reinsurance	9,546	9,546	-
Stop-loss Fund transfer	493,591	493,591	-
State-mandated fees	51,546	50,540	(1,006)
Operating expenses	523,205	504,915	(18,290)
Total expenses	4,496,503	4,477,207	(19,296)
Total available for members' loss funds	<u>\$ 948,290</u>	<u>\$ 967,586</u>	<u>\$ 19,296</u>

Michigan Community College Risk Management Authority

Management's Discussion and Analysis (Continued)

Capital Assets

The Authority contracts out all of its operational and treasury functions and, consequently, does not own any capital assets.

Economic Factors

- The Authority's revenue base increased by 3.5 percent as a result of an increase in existing members' revenue.
- Reinsurance costs and member exposures are expected to remain level for the 2009 fiscal year.

All these factors were considered in preparing member contribution projections for the 2009 fiscal year.

Contacting the Authority's Management

This financial report is designed to provide our members, customers, and the general public with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Authority's office at 14001 Merriman Road, Livonia, Michigan 48154. The telephone number is (734) 513-0300.

Michigan Community College Risk Management Authority

Statement of Net Assets

June 30, 2008

(with comparative amounts at June 30, 2007)

	Member General Fund	Stop-loss Fund	Total	
			2008	2007
Assets				
Cash and cash equivalents (Note 3)	\$ 2,230,734	\$ -	\$ 2,230,734	\$ 2,014,833
Investments (Note 3)	8,387,089	2,526,418	10,913,507	10,590,956
Accrued interest receivable	74,200	-	74,200	68,269
Other receivables	1,232	-	1,232	-
Total assets	<u>\$10,693,255</u>	<u>\$ 2,526,418</u>	<u>\$ 13,219,673</u>	<u>\$ 12,674,058</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 961
Pending trades	8,340	-	8,340	44,990
Advance contributions received	1,307,795	-	1,307,795	1,230,255
Members' funds on deposit (Note 4)	9,377,120	-	9,377,120	8,879,548
Total liabilities	10,693,255	-	10,693,255	10,155,754
Net Assets - Restricted	<u>-</u>	<u>2,526,418</u>	<u>2,526,418</u>	<u>2,518,304</u>
Total liabilities and net assets	<u>\$10,693,255</u>	<u>\$ 2,526,418</u>	<u>\$ 13,219,673</u>	<u>\$ 12,674,058</u>

Michigan Community College Risk Management Authority

Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

(with comparative amounts for year ended June 30, 2007)

	Member General Fund	Stop-loss Fund	Total	
			2008	2007
Member Contributions	\$ 3,983,615	\$ 493,591	\$ 4,477,206	\$ 4,354,643
Risk Management, Underwriting, and Other Expenses				
Risk management fees	227,070	-	227,070	224,147
Other professional services	85,883	-	85,883	82,016
Meeting and other expenses	31,527	-	31,527	49,074
Total risk management, underwriting, and other expenses	344,480	-	344,480	355,237
Net Contributions Available for Claims and Related Expenses	3,639,135	493,591	4,132,726	3,999,406
Claims and Related Expenses				
Claims paid - Net of subrogation receipts and reinsurance recoveries	-	468,316	468,316	253,304
Reinsurance expense	3,488,701	-	3,488,701	3,374,967
Claims service fees	150,434	-	150,434	148,495
Total claims and related expenses	3,639,135	468,316	4,107,451	3,776,766
Excess of Revenue Over Expenses -				
Before investment gain (loss)	-	25,275	25,275	222,640
Investment Gain (Loss)	-	(17,161)	(17,161)	139,686
Excess of Revenue Over Expenses	-	8,114	8,114	362,326
Net Assets - Beginning of year	-	2,518,304	2,518,304	2,155,978
Net Assets - End of year	<u>\$ -</u>	<u>\$ 2,526,418</u>	<u>\$ 2,526,418</u>	<u>\$ 2,518,304</u>

Michigan Community College Risk Management Authority

Statement of Cash Flows Year Ended June 30, 2008 (with comparative amounts for year ended June 30, 2007)

	Member General Fund	Stop-loss Fund	Total	
			Year Ended June 30	
			2008	2007
Cash Flows from Operating Activities				
Cash received from members	\$ 5,027,510	\$ 493,591	\$ 5,521,101	\$ 5,211,235
Cash payments for claims - Net of recoveries	(310,845)	(468,316)	(779,161)	(560,316)
Cash payments to suppliers for goods and services	(4,021,224)	-	(4,021,224)	(3,825,206)
Net cash provided by operating activities	695,441	25,275	720,716	825,713
Cash Flows from Investing Activities				
Interest and dividend income	392,218	-	392,218	396,472
Proceeds from sale of investments	8,110,542	581,136	8,691,678	4,234,732
Purchase of investments	(8,982,300)	(606,411)	(9,588,711)	(5,159,407)
Net cash used in investing activities	(479,540)	(25,275)	(504,815)	(528,203)
Net Increase in Cash and Cash Equivalents	215,901	-	215,901	297,510
Cash and Cash Equivalents - Beginning of year	2,014,833	-	2,014,833	1,717,323
Cash and Cash Equivalents - End of year	\$ 2,230,734	-	\$ 2,230,734	\$ 2,014,833
Reconciliation of Excess of Revenue Over Expenses to Net Cash from Operating Activities				
Excess of revenue over expenses	\$ -	\$ 8,114	\$ 8,114	\$ 362,326
Adjustments to reconcile excess of revenue over expenses to net cash from operating activities:				
Interest and dividend income	(392,218)	-	(392,218)	(396,472)
Realized and unrealized gain	557,321	17,161	574,482	(661,872)
Change in assets	(7,163)	-	(7,163)	96,902
Change in liabilities	39,929	-	39,929	(26,199)
Increase in members' funds on deposit	497,572	-	497,572	1,451,028
Net cash provided by operating activities	\$ 695,441	25,275	\$ 720,716	\$ 825,713

Michigan Community College Risk Management Authority

Notes to Financial Statements June 30, 2008

Note 1 - Nature of Entity

Michigan Community College Risk Management Authority (the "Authority") was established in July 1985 pursuant to laws of the State of Michigan, which authorize community colleges to exercise jointly any power, privilege, or authority that each might exercise separately. The purpose of the Authority is to administer a risk management fund that provides the present members with loss protection for general and auto liability, motor vehicle physical damage, and property (see Note 5).

Note 2 - Significant Accounting Policies

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents - Cash equivalents are defined as highly liquid investments purchased with an original maturity of less than three months. The Authority's cash and cash equivalents include bank deposits and money market funds.

Investments - Investments in U.S. government securities, corporate bonds, and certificates of deposit with an original maturity at time of purchase of one year or less are stated at amortized cost. All other investments are recorded at fair value, based on quoted market prices or management's estimates.

Accounts Receivable - Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is recognized based on a specific assessment of member balances that remain unpaid. The allowance is determined based on management's estimate of the amounts recoverable from each member. Amounts deemed to be uncollectible are written off in the period that determination is made. No such allowance was deemed necessary at June 30, 2008.

Statement of Net Assets Classification - All Authority assets are liquid and no Authority liabilities have maturity dates in excess of one year. Accordingly, no amounts are presented as noncurrent on the Authority's statement of net assets.

Michigan Community College Risk Management Authority

Notes to Financial Statements June 30, 2008

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting - To observe limitations and restrictions placed on the use of resources available, the accounts are maintained in accordance with principles of fund accounting. The following major proprietary funds are maintained and presented in the accompanying financial statements:

Member General Fund

This fund consists of those economic resources contributed by the members that are expendable for operational items such as risk management, underwriting, reinsurance, and claims service expenses. Members' funds on deposit are available to pay amounts necessary to settle claims incurred and are refundable to members subject to certain limitations and upon approval by the board of directors. Should any member's funds on deposit become insufficient to fund that member's claims, additional contributions would be assessed to that member.

The Authority functions primarily as a claims servicer for members and as a purchasing agent for the acquisition of reinsurance. The Stop-loss Fund provides only a minor amount of risk sharing or pooling of risks among the member colleges (see Stop-loss Fund below). The Authority itself carries no risk; accordingly, no reserve for future claims has been provided in the Member General Fund. The Authority recognizes member contributions as revenue only to the extent of its servicing expenses. All contributions in excess of servicing expenses are allocated to members' funds on deposit.

Stop-loss Fund

The Stop-loss Fund represents earnings accumulated by the Authority for the purpose of funding an internal stop-loss program. Internal stop-loss contributions were initiated in order to reduce the need to purchase reinsurance for aggregate losses paid. Generally, losses exceeding \$15,000 per occurrence or \$45,000 in the aggregate on a year-to-year basis are paid from the Stop-loss Fund. Occurrence and aggregate limits have been established for each member college based on historical loss experience. At any time, if the Stop-loss Fund is insufficient to fund these member losses, the remaining liability shall become the full responsibility of the membership, and the board of directors shall invoice the membership based on each member's contribution to total contributions. The board of directors may declare a dividend to be paid from the Stop-loss Fund in the event that the fund balance is determined to be sufficient to do so.

Michigan Community College Risk Management Authority

**Notes to Financial Statements
June 30, 2008**

Note 2 - Significant Accounting Policies (Continued)

Member Contributions - Member contributions are recognized as revenue in the year to which they apply. These contributions are determined in accordance with the terms of the joint exercise of powers agreement and are adjusted annually for expenses, loss reserve, and exposure changes of the member and payments made in excess of the member's net contribution account. The board of directors may suspend or reduce member contributions in the event that the members' funds on deposit and fund balance are determined to be sufficient to do so. Members may elect to contribute amounts in excess of the contribution as determined above; such amounts are recognized as an increase to members' funds on deposit when received.

Members' Funds on Deposit - A member's proportionate share of funds on deposit is equal to the contributions paid by the member supplemented by investment earnings thereon less operating expenses allocated to the member. Certain expenses (including losses incurred, reinsurance premiums, and manager fees) are allocated according to the actual costs incurred for each member; investment income and other expenses are allocated on a basis determined by the joint exercise of powers agreement.

Withdrawal from Membership - Any member may withdraw from the Authority at the end of any fiscal year by giving at least 60 days' notice in writing of its desire to withdraw. A member withdrawing from the Authority while having a positive balance in its net contribution account may withdraw such funds less projected allocated claims expenses. Any member withdrawing from the Authority having a negative balance in its net contribution account shall repay the Authority such negative balance and claims expense incurred. At the request of the withdrawing member, the Authority shall continue to service any pending claim, and the member shall reimburse the Authority for claims expenses incurred. Reinsurance coverage shall not be afforded a withdrawing member for claims not serviced by the Authority.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Michigan Community College Risk Management Authority

**Notes to Financial Statements
June 30, 2008**

Note 3 - Deposits and Investments

The Authority is authorized to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; corporate bonds rated investment grade by Moody's Investors Service, Inc. (or Standard & Poor's Corporation); certificates of deposits of institutions which are members of the FDIC; bankers' acceptances of United States banks with rates no less than the two highest ratings which mature not more than 180 days after the date of purchase; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; equity investments that consist of common stock traded on the New York Stock Exchange, American Stock Exchange, Principal Regional Exchanges, or Over-the-Counter Securities Market (NASDAQ); and mutual funds if the stated objectives of the fund are consistent with the investment objectives set forth above.

The Authority's investments are registered in the Authority's name. The Authority has designated two banks for the deposit of its funds.

The overall asset mix of the fund, measured by market value, is targeted to be 60 percent equities and 40 percent fixed income. International equities shall not exceed 25 percent of the entire fund.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Authority's deposits for custodial credit risk. At year end, the deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$2,275,560. Of that amount, \$200,000 was covered by federal depository insurance and \$2,075,560 was uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Michigan Community College Risk Management Authority

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity, and bank acceptances, which can only be purchased with a 180-day maturity. The Authority's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and by investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

At June 30, 2008, the Authority had the following investments:

Investment Type (Comerica Defined)	Market Value (Excluding Accruals)	Years
Corporate bonds	\$ 5,743,563	3
Common and preferred stock	<u>5,169,944</u>	N/A
Total fair value	<u>\$ 10,913,507</u>	
Portfolio weighted average maturity		3

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has an investment policy that prohibits the following investments: short sales, put and call options strategies, margin purchase, commodities (futures), securities of the investment manager or its parent corporation including proprietary funds, direct investment in tangible assets such as real estate, oil and gas, precious metals, private placements, and venture capital financing.

Michigan Community College Risk Management Authority

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

At year end, the credit quality ratings of debt securities, without regard to investment type, are as follows:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 306,252
AA	1,720,135
A	3,128,495
BBB	588,681
N/A	<u>5,169,944</u>
Total	<u>\$ 10,913,507</u>

The rating organization used by the Authority to rate its investments is Standard & Poor's.

Note 4 - Change in Members' Funds on Deposit

During the year ended June 30, 2008, the members' funds on deposit account reflected the following activity:

Members' funds on deposit - July 1, 2007	\$ 8,879,548
Total member contributions	5,444,793
Investment loss	(159,170)
Transfers to Stop-loss Fund	(493,591)
Claims paid - Net of subrogation and reinsurance recoveries	(310,845)
Treaty reinsurance purchased for members	(3,488,701)
Risk management, underwriting, claims service, and other expenses	<u>(494,914)</u>
Members' funds on deposit - June 30, 2008	<u>\$ 9,377,120</u>

Michigan Community College Risk Management Authority

Notes to Financial Statements June 30, 2008

Note 5 - Reinsurance

The Authority has entered into specific reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the members. Each member is liable for the portion reinsured to the extent that any reinsurer does not meet the obligations for claims assumed under the reinsurance agreements. To minimize the members' exposure to significant losses from reinsurer insolvencies, the Authority evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers.

Reinsurance coverage is provided to members as follows for the 2007-2008 insurance periods:

Line of Coverage	Member Deductible	Authority's Specific Retention	Coverage Limit
Property	\$ 1,000	\$ 100,000	To the limits required
Automobile physical damage:			
Per vehicle	500	10,000	\$ 300,000
Per occurrence	N/A	10,000	650,000
Liability and other	-	100,000	15,000,000

The Authority has paid claims net of reinsurance recoveries and subrogation receipts for the year ended June 30, 2008 as follows:

Claims paid	\$ 1,778,059
Reinsurance recoveries	<u>(998,898)</u>
Net claims paid	779,161
Paid by Stop-loss Fund	<u>(468,316)</u>
Claims paid by members' funds on deposit	<u>\$ 310,845</u>

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

Michigan Community College Risk Management Authority

Notes to Financial Statements June 30, 2008

Note 6 - Federal Income Taxes

The Authority is a self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. This law allows community colleges to provide joint funding for risk management and self-insurance purposes. In the opinion of management and legal counsel, the Authority is a governmental agency and, as such, no provision for federal income taxes is required.

Note 7 - Related Party Transactions

Michigan Municipal Risk Management Association (MMRMA), an affiliated organization, performs various administrative services for the Authority. MMRMA also acts as a reinsurer for the Authority's members, and purchases additional reinsurance coverage on behalf of the Authority's members. Expenses incurred by the Authority for administrative services totaled approximately \$150,000 for the year ended June 30, 2008. Expenses incurred by the members for reinsurance coverage totaled approximately \$3,400,000 for the year ended June 30, 2008.

Other Supplemental Information

Michigan Community College Risk Management Authority

Schedule of Changes in Members' Funds on Deposit - By Member Year Ended June 30, 2008

Member	Risk Management, Underwriting, Reinsurance, Claims Service Fees, and Other Expenses															
	Members' Funds on Deposit		Total Member Contributions		Transfer to Stop-loss Fund		Net Claims Paid (Recovered)		Total Contributions Over (Under) Expenses		Contributions and Other Income Over (Under) Expenses		Members' Funds on Deposit			
	July 1, 2007		Contributions		Fund		Expenses		Expenses		Investment Loss		June 30, 2008			
Alpena	\$	278,445	\$	129,728	\$	(11,639)	\$	(92,580)	\$	(15,000)	\$	(4,224)	\$	6,285	\$	284,730
Bay de Noc		235,764		150,600		(13,459)		(109,564)		(15,405)		(3,476)		8,696		244,460
Delta		399,269		407,104		(34,467)		(264,610)		(30,363)		(9,322)		68,342		467,611
Glen Oaks		271,094		77,937		(7,008)		(54,156)		-		(4,091)		12,682		283,776
Henry Ford		411,758		338,958		(30,724)		(257,566)		(4,809)		(6,864)		38,995		450,753
Kalamazoo		492,435		344,364		(31,138)		(246,230)		(993)		(10,258)		55,745		548,180
Lake Michigan		214,947		246,277		(22,247)		(181,806)		(48,000)		(4,009)		(9,785)		205,162
Macomb		1,174,696		701,477		(63,164)		(532,452)		(20,248)		(23,001)		62,612		1,237,308
Mid-Michigan		530,056		138,877		(12,457)		(101,090)		387		(7,554)		18,163		548,219
Monroe		450,270		153,911		(13,863)		(110,936)		(518)		(7,278)		21,316		471,586
Montcalm		355,980		100,591		(9,080)		(66,570)		-		(5,603)		19,338		375,318
Muskegon		17,187		174,476		(15,707)		(131,021)		(10,310)		(1,959)		15,479		32,666
North Central		320,200		105,575		(9,520)		(73,173)		9,648		(5,421)		27,109		347,309
Northwestern Michigan		248,430		320,386		(28,816)		(228,104)		(61,464)		(3,888)		(1,886)		246,544
Oakland		688,891		739,706		(71,857)		(578,054)		(52,147)		(13,162)		24,486		713,377
Schoolcraft		386,920		286,692		(25,624)		(195,291)		(6,019)		(5,909)		53,849		440,769
Southwestern Michigan		330,610		151,969		(13,648)		(105,718)		-		(5,051)		27,552		358,162
St. Clair		384,530		175,969		(15,829)		(127,173)		(2,567)		(6,943)		23,457		407,987
Wayne County		1,297,604		584,476		(52,979)		(445,709)		(50,431)		(26,431)		8,926		1,306,530
West Shore		390,462		115,720		(10,365)		(81,812)		(2,606)		(4,726)		16,211		406,673
Total		\$ 8,879,548		\$ 5,444,793		\$ (493,591)		\$ (3,983,615)		\$ (310,845)		\$ (159,170)		\$ 497,572		\$ 9,377,120